



Joseph J. Plumeri

The Willis Cause

An Interview with Joseph J. Plumeri,
Chairman and Chief Executive Officer, Willis Group Holdings plc

EDITORS' NOTE Appointed to his current post in October 2000, when Willis was privately owned by Kohlberg Kravis Roberts, Joe Plumeri successfully returned the company to public ownership in 2001. Prior to joining Willis, Plumeri had a 32-year career at Citigroup and its predecessor companies, including as CEO of Citibank North America, Chairman and CEO of Travelers Primerica Financial Services, Vice Chairman of the Travelers Group, and President and Managing Partner of Shearson Lehman Brothers. In 2009 and 2010, he was named to Treasury & Risk magazine's list of "100 Most Influential People in Finance." Plumeri has been honored by the Insurance Industry Charitable Foundation in 2009 for his impact on the reputation of the insurance industry and by The Jackie Robinson Foundation in 2010 for his career achievements. He also is co-owner of two New Jersey minor league baseball teams. Plumeri received his Bachelor of Arts degree in history and education from The College of William and Mary and also attended New York Law School.

COMPANY BRIEF Willis Group Holdings plc (www.willis.com) is a leading global insurance broker and, through its subsidiaries, develops and delivers professional insurance, reinsurance, risk management, financial and human resource consulting, and actuarial services to corporations, public entities, and institutions around the world. Willis has more than 400 offices in nearly 120 countries, with a global team of approximately 17,000 employees serving clients in virtually every part of the world.

How did Willis Group fare during the economic crisis and how is it positioned now?

Starting in the spring of 2008 going forward, as the investment banking industry was being

called into question, I thought it was great that the only industry not being called into question was insurance – other than AIG, and the part that was disparaged at AIG was not the insurance part; it was the part that dealt with trading credit default swaps. The insurance part of AIG was very much intact.

That notwithstanding, you had an entire industry that was still underwriting insurance and paying claims without any disruption. So when you look at the financial industry, the one segment that kept doing what it was doing was insurance. People could underwrite and at pretty soft rates.

Not one insurance company went under during that entire period of time – they were still paying claims. Everything worked the way it did before the economic meltdown. But little has been written about the credit that should be given to the insurance industry.

I could not have been more proud of Willis because in June 2008, we announced the largest acquisition in the industry in 10 years when we bought HRH for \$2.1 billion. It was a great acquisition but the timing wasn't good. When you do a deal that big, you usually do it with a bridge loan – ours was \$500 million – that is usually replaced by permanent financing by the time the closing takes place, which was October. But by then the credit markets were closed, and as a result, Willis could not get permanent financing and pay the bridge loan off.

So we did the deal with the bridge loan hanging out there during terrible economic times when people were buying less insurance because they weren't sure about the future, but the deal still worked. The company has been fully integrated and has done very well. All of this was capped off in 2009 when we renamed the Sears Tower the Willis Tower.

This industry is not always perceived favorably. Many only see insurance as an expense until they need it. Why is it difficult to communicate the benefits of insurance?

I'm the best kind of cheerleader for the industry because I come from outside of it – people have perceived it as dull when it's anything but that. It's probably the most exciting thing I've done because everything that happens in the world is touched by

insurance. Planes don't fly, trains don't run, people don't work, buildings don't get built – nothing happens without insurance.

The impression of insurance as something that you buy in case something bad happens has never been overcome by the realization of what happens by virtue of the insurance taking place. It's a revival story – it's not about something bad happening.

FEMA put in \$16 billion after Hurricane Katrina, but the insurance industry put in \$30 billion. Nobody ever wrote about the \$30 billion – they wrote only about the claims that were contested along the Gulf Coast rather than that New Orleans was in large part rebuilt with proceeds from insurance. The fact that because there was insurance there was a revival is usually overlooked.

Unfortunately, the industry has never graduated from the concept of buying insurance because you need to buy it to the concept of understanding your risk so you can protect your business, your employees, and your clients, which is what insurance is all about.

Does the insurance industry have a significant voice in the government policy discussions that will effect the industry?

There are a few issues that are going to have to be addressed in the future and Willis wants to have a voice in those discussions. I don't think a lot of what the government does with regard to insurance is sustainable.

In terms of the discussion on the debt and debt ceiling, and entitlements, they are going to have to make decisions as to whose responsibility those are.

One of the decisions that they're going to have to make is, is it the responsibility of government to provide flood insurance under the national flood insurance program? There are government programs that cost billions of dollars in developed countries like the U.S. where over time, there has to be a shift.

If you have the discussion about whether the government should be responsible for Medicaid, Medicare, or flood insurance, a lot of people would suggest that they keep Medicare and Medicaid and do something about flood insurance. They could make that a local issue or a company issue.

■

You can't be in the insurance business and not have a sense of community because nothing gets built in a community without insurance.

■

As a result of issues like these, insurance is going to become more prominent in the debate about national policy.

Is it challenging to show what makes a brand in this space unique?

It's important to be global because having access to resources around the world to help our clients becomes vital. But half of our business is in the U.S. and I believe the greatness of the U.S. is still ahead and not behind us.

As it relates to differentiation, I'm not sure the insurance industry has tried to differentiate itself.

Most of the insurance brokers in history have come about via acquisition – they've either acquired people or companies. They have never developed because they invented a unique product that can only be purchased at this one particular company and, as a result, that company grows. The industry is focused on buying companies rather than creating new products.

Most companies have to buy insurance for one reason or another, so the only challenge is convincing them to buy from you. And since everybody already owns it, you don't have to create new markets. So there has been a reluctance from the industry to try to be inventive.

I believe that if you can't grow organically, eventually there will be no one left to buy and you will hit a brick wall. Our results have shown revenue growth greater than our competition because we spend a lot of time on organic growth. We work to make sure that being global doesn't just mean having flag posts in the ground that say we're in 120 countries, but that these countries are working with each other in the best interests of the client to provide global resources delivered locally. You have to be able to deliver resources whether it's in London or China, because what people want is intellectual capital and people who understand their business— that is a big differentiator.

Also, most companies are visionless and their own people don't understand why tomorrow is going to be better than today. We have

the Willis Cause, which has five tenets the company is built around:

Number one, we understand our clients' needs and industries better than anyone else, which is a big differentiator. In the middle market, we created a diagnostic product where we can take your list of risks and how they are insured and give you an analysis of whether or not your risk profile is adequate. We run that diagnostic, which we call a risk review, throughout the middle market against the backdrop of being a company that really understands the business we are analyzing. So it's specialization against specialization. This is a product we don't charge for that gives us the ability to open the door to have a knowledgeable conversation with a client.

Second, since we understand the needs and industries of the client, we can place the business more efficiently in the marketplace. The wording of contracts today is very important because the world has become very complicated, and when a claim occurs, it can become difficult for the client to get a claim paid.

Third, we have a quality index which allows us to measure which companies pay claims fastest and which companies service clients better than the others. We collect this data from all over the world. Then, through what we call WillPLACE, we can take all the data about our clients and match it with the appetite of the insurance company that wants to do business with that kind of client. We also evaluate that insurance company based on our quality index and then ensure our policies have the best wording so our clients don't get caught with a difficult claim because the wording is wrong. The differentiation that this process brings has been huge for us.

Fourth is a relentless pursuit of service. It's important that our local people have nothing that interferes with them providing only the service that is important to the local clients. All of the things that are systematized or rote need to be handled someplace else, which is

why we have opened service centers all over the world.

The reason people buy insurance is to get claims paid quickly and we want to have a worldwide organization that can say to our clients, "You do business with Willis and you're going to get your claim paid more quickly than anybody else."

All of that is surrounded by a big ribbon called integrity. We do not accept contingent compensation and we are totally transparent across the board.

How critical is corporate responsibility to your culture and how do you drive that through the organization?

You can't be in the insurance business and not have a sense of community because nothing gets built in a community without insurance.

In a place where there is a natural disaster, most industries have to take care of their people. We have to take care of our people so our people can take care of other people, because the claims start flying in when there is an issue or problem.

So our sense of community is a bit more inspired and more sensitive than others because of the position we find ourselves in.

When we renamed the Sears Tower the Willis Tower, the first thing I did was get involved in Chicago Cares because with our prominence in Chicago and the fact that every day somebody looks at that tower and sees Willis, I want them to understand that we stand for community involvement.

When you came to Willis 11 years ago, could you have imagined the business meaning this much to you?

I'm going to do this until my heart runs out, meaning my affection for the business. The story of the greatness of this business has yet to be told.

You can't fuel your own passion or energy unless you get it back from the people you're passionate and energetic with. And if you're not getting anything back, you're going to start to lose your passion. One of the great things about Willis is its passion, its intensity, and its total dedication to the cause, which is inspiring to me. ●